

Considering All of Your Business Real Estate Options

In a recent December 2018 article in [Divestopedia](#) entitled, “Options for Business Real Estate When Selling a Company,” the topic of business real estate was explored at length.



One of the key points of the article was that understanding one’s business real estate options would ultimately help in achieving “the goals desired in a transaction.” The article is correct to point out that many, or even arguably most, business owners simply don’t know what real estate options are available to them when it comes time to sell the company.

In particular, there are two big options:

1. Sell everything including the real estate.
2. Hold onto the real estate for the rental income.

In the Divestopedia article, the authors correctly point out that if you, as the business owner, personally own the real estate in a separate entity, then you are good to go. You should have a “clear path to valuation.”

However, if your company owns the real estate, then things get a little more complicated. If this is the situation you’ll want to have a third-party appraisal of the real estate so that its value is clear. The article also points out that if your business is a C-Corp and your business also owns the real estate, then it’s a good idea to talk to your accountant as there will be differences in taxation.

Every situation is different. Many buyers will prefer to acquire the real estate along with the business. On the other hand, many buyers may prefer a lease, as they don’t want everything that comes along with owning real estate. Communicating with the buyer regarding his or her preference is a savvy move.

Now, as Divestopedia points out, if you do plan to retain the building, then you'll want to be certain that a strong lease is in place. Ask any M&A Advisor about the importance of having a strong lease, and you'll get some pretty clear-cut feedback. Namely, you always want to have a strong lease.

Issues such as who repairs what and why should all be spelled out in the lease. It should leave nothing to chance. One of the best points made in the Divestopedia article is that you will want a strong lease for another key reason. When the time comes to sell the property, you want to show you have a lease that is generating good income.

Real estate and the sale of your business are not one-dimensional topics. There are many variables that go into selling when real estate is involved. It is important to consider all of the variables and work with an M&A Advisor who can help guide you through this potentially complex topic.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.

Copyright: Business Brokerage Press, Inc.
imgina/BigStock.com